UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: **September 30, 1999**

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

Commission File Number 1-2755

GTE CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	13-1678633 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1255 Corporate Drive, SVC04C08, Irving, Texas (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	75038 (ZIP CODE)

Registrant's telephone number, including area code 972-507-5000

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [1

The Company had 971,794,977 shares of $.05 par value common stock outstanding (excluding 30,405,307 treasury shares) at October 31, 1999.

PART 1. FINANCIAL INFORMATION

Item I. Financial Statements

GTE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Dollars in Millions, Except Per-Share Amounts)			
Revenues and Sales	$ 6,428	$ 6,480	$ 18,595	$ 18,642
Operating Costs and Expenses				
Cost of services and sales	2,808	2,617	8,130	7,786
Selling. general and administrative	1,027	1,250	3,224	3,552
Depreciation and amortization	920	963	2,146	2,875
Special items	(705)	–	(1,026)	755
Total operating costs and expenses	4,050	4,830	13,074	14,968
Operating Income	2,378	1,650	5,521	3,674
Other (Income) Expense				
Interest - net	309	312	924	912
Other - net	(89)	10	(213)	54
Income before income taxes	2,158	1,328	4,810	2,708
Income taxes	790	506	1,754	1,071
Income before extraordinary charges	1,368	822	3,056	1,637
Extraordinary charges	–	–	(30)	(320)
Net Income	$ 1,368	$ 822	$ 3,026	$ 1,317
Basic Earnings (Loss) Per Common Share				
Before extraordinary charges	$ 1.40	$ .85	$ 3.14	$ 1.70
Extraordinary charges	–	--	(.03)	(.33)
Net income	$ 1.40	$ .85	$ 3.11	$ 1.37
Diluted Earnings (Loss) Per Common Share				
Before extraordinary charges	$ 1.39	$ .85	$ 3.12	$ I.69
Extraordinary charges	--	--	(.03)	(.33)
Net income	$ 1.39	$ .85	$ 3.09	$ 1.36
Average Common Shares Outstanding (in millions):				
Basic	978	964	973	962
Diluted	986	968	980	967

The accompanying notes arc an integral part of these statements.

GTE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 1999	December 31, 1998
	(Dollars in Millions)	
Assets		
Current assets		
Cash and cash equivalents	$ 3,555	$ 467
Receivables, less allowances of $599 and $395	4,753	4,785
Inventories and supplies	753	668
Net assets held for sale (see Note 5)	1,752	274
Other	713	587
Total current assets	11,526	6,781
Property, plant and equipment, at cost	52,289	59,689
Accumulated depreciation	(30,069)	(34,823)
Total property, plant and equipment, net (a)	22,220	24,866
Prepaid pension costs	5,657	4,927
Franchises, goodwill and other intangibles, net of accumulated amortization of $888 and $819	3,545	3,144
Investments in unconsolidated companies	3,880	2,210
Other assets	1,437	1,687
Total assets	$ 48,265	$ 43,615

(a) Includes $1.6 billion at December 31, 1998, which is classified as held for sale at September 30, 1999 (see Note 5).

The accompanying notes are an integral part of these statements.

GTE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited) - Continued

	September 30, 1999	December 31, 1998
	(Dollars in Millions)	
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term obligations, including current maturities	$ 7,105	$ 4,148
Accounts payable and accrued expenses	4,080	4,138
Taxes payable and other	2,477	2,069
Total current liabilities	13,662	10,355
Long-term debt	14,278	15,418
Employee benefit plans	4,317	4,404
Deferred income taxes	2,953	I.948
Minority interests in equity of subsidiaries	1,483	1,984
Other liabilities	649	740
Total liabilities	37,342	34,849
Shareholders' equity		
Common stock (1,002,200,284 and 991,374,778 shares issued)	50	50
Additional paid-in capital	8,624	7,884
Retained earnings	4,399	2,740
Accumulated other comprehensive loss	(367)	(375)
Guaranteed ESOP obligations	(467)	(509)
Treasury stock (25,909,333 and 23,377,388 shares, at cost)	(1,316)	(1,024)
Total shareholders' equity	10,923	8,766
Total liabilities and shareholders' equity	$ 48,265	$ 43,615

The accompanying notes are an integral part of these statements.

GTE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

	Nine Months Ended September 30, 1999	
	Shares (Thousands)	Amount (Dollars in Millions)
Common Stock		
Balance at beginning of period	991,375	$ 50
Shares issued -employee plans	10,825	--
Balance at end of period	1,002,200	50
Additional Paid-in Capital		
Balance at beginning of period		7,884
Shares issued -employee plans		543
Other		197
Balance at end of period		8,624
Retained Earnings		
Balance at beginning of period		2,740
Net income		3.026
Dividends declared		(1,373)
Other		
Balance at end of period		4,399
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period		(375)
Foreign currency translation adjustments		31
Unrealized gains (losses) on securities, net of tax		(23)
Balance at end of period		(367)
Guaranteed ESOP Obligations		
Balance at beginning of period		(509)
Other		42
Balance at end of period		(467)
Treasury Stock		
Balance at beginning of period	23,377	(1,024)
Shares purchased	6,467	(471)
Shares distributed-employee plans	(3,935)	179
Balance at end of period	25,909	(1,316)
Total Shareholders' Equity		$ 10,923

The accompanying notes are an integral part of these statements,

GTE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30, 1999	1998
	(Dollars in Millions)	
Operations		
Income before extraordinary charges	$ 3,056	$ 1,637
Adjustments to reconcile income before extraordinary charges to net cash from operations:		
Depreciation and amortization	2,746	2,875
Special items	(1,026)	755
Employee retirement benefits	(801)	(542)
Deferred income taxes	750	263
Provision for uncollectible accounts	421	343
Equity in income of unconsolidated companies	(311)	(167)
Changes in current assets and current liabilities, excluding the effects of acquisitions and dispositions	(264)	(585)
Other-net	(21)	142
Net cash from operations	4,550	4,721
Investing		
Capital expenditures	(3,304)	(3,951)
Acquisitions and investments	(538)	(130)
Proceeds from sales of assets	1,036	167
Other-net	(55)	77
Net cash used in investing	(2,861)	(3,837)
Financing		
Common stock issued	722	283
Purchase of treasury stock	(471)	–
Long-term debt issued	3,222	3,488
Long-term debt and preferred stock retired	(1,012)	(1,911)
Dividends paid	(1,367)	(1,354)
Increase (decrease) in short-term obligations, excluding current maturities	339	(1,140)
Other-net	(34)	(30)
Net cash from (used in) financing	1,399	(664)
Increase in cash and cash equivalents	3,088	220
Cash and cash equivalents:		
Beginning of period	467	551
End of period	$ 3,555	$ 771

The accompanying notes are an integral part of these statements.

GTE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by GTE Corporation (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, in the opinion of management of the Company, the condensed consolidated financial statements include all adjustments, which consist only of normal recurring accruals, necessary to present fairly the financial information for such periods. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 1998 Annual Report on Form 10-K.

Reclassifications of prior year data have been made, where appropriate, to conform to the 1999 presentation

Note 2. Recent Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company is currently assessing the impact of adopting SFAS No. 133, as amended, which is effective January 1, 2001.

Note 3. Special Items

1999 Special Items

During the third quarter of 1999, the Company recorded special items of $705 million ($416 million after-tax, or $.42 per diluted share). Included in the special items are a pretax gain of $754 million on the sale of substantially all of GTE Government Systems on September 1, 1999 to General Dynamics Corporation. The after-tax impact of this gain is $445 million, or $.45 per diluted share. Also included is a special charge of $49 million ($29 million after-tax, or $.03 per diluted share) related to the impairment of assets associated with the Company's decision to exit certain small, non-core business activities.

During the first quarter of 1999, the Company recorded a pretax gain of $513 million associated with the merger of BC TELECOM and TELUS, as described in Note 8. The after-tax impact of this gain is $308 million, or $.32 per diluted share.

During the first quarter of 1999, the Company also recorded special charges of $192 million ($119 million after-tax, or $.12 per diluted share) associated with completed employee separation programs. The charge included separation and related benefits such as outplacement and benefit continuation costs for approximately 3,000 employees.

1998 Special Items

During the first quarter of 1998, the Company committed to a plan to sell or exit various business activities and reduce costs through employee reductions and related actions. As a result of these actions, during the first quarter of 1998, the Company recorded a pretax charge of $755 million, $482 million after-tax, or $.50 per diluted share, for the year. The strategic actions to which the 1998 special charges relate were completed as planned consistent with the original cost estimates.

The plan included the proposed sale of GTE Government Systems Corporation, GTE Airfone Incorporated and approximately 1.6 million domestic access lines located in 13 states. The status of these transactions is discussed in Note 5.

Note 4. Extraordinary Charges

During the first quarter of 1999, GTE repurchased $338 million of high-coupon debt through a public tender offer prior to its stated maturity, resulting in a one-time, after-tax extraordinary charge of $30 million (net of tax benefits of $16 million), or $.03 per diluted share.

During the first quarter of 1998, GTE recorded after-tax extraordinary charges of $320 million (net of tax benefits of $256 million), or $.33 per diluted share, resulting from the discontinued use of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," by its Canadian operations, and the early retirement of long-term debt.

Note 5. Net Assets Held For Sale

During the first quarter of 1998, the Company committed to a repositioning plan that resulted in a decision to sell GTE Government Systems, GTE Airfone and approximately 1.6 million domestic access lines. The sales of GTE Government Systems and GTE Airfone were expected to close in 1999 and, accordingly, their net assets are classified as "Net assets held for sale" at December 31, 1998. When completed, all of these transactions are expected to generate after-tax proceeds aggregating in excess of $4 billion.

On June 22, 1999, GTE entered into an agreement with General Dynamics Corporation to sell three divisions of GTE Government Systems Corporation for $1.03 billion. The sale closed on September 1, 1999. After-tax gains of $445 million were recognized on this sale. On November 4, 1999, GTE entered into an agreement with DynCorp to sell the remaining division. The sale, which is subject to normal regulatory approvals, is expected to close by year-end. Therefore, the associated net assets of this division are classified as "Net assets held for sale" in the condensed consolidated balance sheets. Revenues for this remaining division were $55 million and $159 million for the third quarter and year-to-date of 1999, respectively.

On June 24, 1999, GTE entered into an agreement with Oak Hill Capital Partners, L.P. (Oak Hill) to sell GTE Airfone. The agreement was terminated on October 19, 1999 when GTE and Oak Hill were unable to agree on the final terms of the sale. GTE will continue to pursue the sale of GTE Airfone. Accordingly, GTE Airfone's net assets are classified as "Net assets held for sale" in the condensed consolidated balance sheets. Revenues from GTE Airfone were $32 million and $106 million for the third quarter and year-to-date of 1999, respectively.

During the third quarter of 1999, the Company continued to make significant progress with its plan to sell approximately 1.6 million domestic access lines. GTE has entered into definitive agreements to sell approximately 1.5 million switched access lines located in Alaska, Arizona, Arkansas, California, Iowa, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, Texas and Wisconsin. The Company is still negotiating to sell about 100,000 local customer lines in Illinois and is expected to enter into an agreement by the end of 1999. All sales are contingent upon final agreements and regulatory approvals, and all sales are expected to close in 2000.

The net property, plant and equipment of the access lines to be sold of $1.6 billion has been reclassified as "Net assets held for sale" in the condensed consolidated balance sheets as of September 30, 1999. The Company will continue to operate all of these assets until sold. Given the decision to sell, the Company stopped recording depreciation expense for these assets. Depreciation expense was accordingly $190 million lower for the first nine months of 1999. The 1.6 million access lines represent approximately 7% of the average switched access lines that the Company had in service during 1998 and contributed approximately 4% to 1998 consolidated revenues.

Note 6. Comprehensive Income

The components of total comprehensive income are presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Dollars in Millions)			
Net income	$ 1,368	$ 822	$ 3,026	$ 1,317
Other comprehensive income (loss):				
Foreign currency translation adjustments	(5)	(41)	31	(116)
Unrealized gains (losses) on securities, net of tax	(6)	1	(23)	6
Subtotal	(11)	(40)	8	(110)
Total comprehensive income	$ 1,357	$ 782	$ 3,034	$ 1,207

Note 7. Capitalized Software

Effective January 1, 1999, the Company adopted Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under the provisions of this SOP, GTE capitalizes and amortizes the cost of all internal-use software, including network-related software it previously expensed. The net book value of capitalized software at September 30, 1999 and December 31, 1998, respectively, is as follows:

	September 30, 1999	December 31, 1998
	(Dollars in Millions)	
Capitalized software, net book value:		
Network	$ 153	$ --
Non-network	435	301
Total	$ 588	$ 301

Note 8. Accounting for International Investments

At December 31, 1998, GTE had a 50.8% ownership interest in BC TELECOM, Inc. (BC TELECOM), a full-service telecommunications provider in the province of British Columbia, Canada. On January 31, 1999, BC TELECOM and TELUS Corporation merged to form a public company called TELUS (formerly known as BCT.TELUS Communications, Inc.). GTE's ownership interest in the merged company, TELUS, is 26.7% and, as such, during the first quarter of 1999, the Company changed the accounting for its investment from full consolidation to the equity method.

CTI Holdings, S.A. (CTI), is a consortium providing cellular services in the north and south interior regions of Argentina. During the fourth quarter of 1998, GTE increased its ownership interest in CTI and changed the accounting for its investment from the equity method to full consolidation. The CTI net results for 1998 are reflected in "Other (Income) Expense," while for 1999 CTI's results of operations are reflected in reported revenues and expenses in the condensed consolidated statements of income.

Note 9. Debt

In May 1999, the Company issued $1.4 billion of floating rate debentures and $200 million of 5.399% debentures. In June 1999, the Company issued $1.4 billion of floating rate debentures.

In September 1999, the Company issued $3.2 billion of commercial paper which was used to purchase nearly half of the wireless properties formerly operated by Ameritech Corporation. This transaction, initially scheduled to be completed on September 30, 1999, closed on October 8, 1999.

On November 5, 1999, the Company filed a shelf registration for $1.375 billion in unsecured debt.

Note 10. Segment Reporting

GTE has four reportable segments. As described below, three reportable segments are within GTE's National Operations and the fourth reportable segment is its International Operations. The three segments within National Operations are Network Services, Wireless Products and Services, and Internetworking. See Note 8 describing changes in accounting for investments at GTE's International Operations.

For the most part, the National and the International Operations are independent of each other and the various countries comprising the International Operations are independent of each other. Within National Operations, the costs of certain activities which are managed on a common basis are allocated to the segments based on usage, where possible, or other factors depending on the nature of the activity.

Affiliated transactions that occur are priced at market or in accordance with FCC affiliate transaction rules, where appropriate. Operating income includes profit on sales to affiliates. The related intersegment eliminations for National Operations are included in Other National Operations.

The following table represents segment income statement results for the three and nine months ended September 30, 1999 and 1998, respectively, and balance sheet results as of September 30, 1999 and December 31, 1998:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Dollars in Millions)			
National Operations:				
Network Services				
Revenues and sales				
Local services	$ 1,521	$ 1,465	$ 4,462	$ 4,348
Network access services	1,389	1,340	4,124	3,961
Toll services	160	203	499	662
Directory services and other	813	886	2,377	2,328
Total revenues	3,883	3,894	I1,462	I 1,299
Intersegment revenues	(117)	(91)	(315)	(213)
Total external revenues	$ 3,766	$ 3,803	$ 11,147	$ 11,086
Operating income (a)	$ 1,516	$ 1,298	$ 4,071	$ 3,564
Special charges(b)	--	—	113	171
Depreciation and amortization	642	657	1,918	1,977
Capital expenditures	699	905	2,077	2,508
Total assets (c)			23,972	23,287
Wireless Products and Services				
Revenues and sales				
Service revenues	$ 829	$ 685	$ 2,306	$ 2,006
Equipment sales and other	116	97	325	287
Total revenues(d)	$ 945	$ 782	$ 2,631	$ 2,293
Operating income (a)	$ 124	$ 193	$ 444	$ 505
Special charges(b)	—	--	24	91
Depreciation and amortization	114	111	342	328
Capital expenditures	125	133	293	275
Total assets(c)			5,842	5,783
Internetworking (e)				
Revenues and sales				
Internetworking revenues	$ 285	$ 151	$ 735	$ 414
Intersegment revenues	(11)	(9)	(49)	(26)
Total external revenues	$ 274	$ 142	$ 686	$ 388
Operating loss	$ (142)	$ (110)	$ (395)	$ (389)
Depreciation and amortization	50	28	135	83
Capital expenditures	203	87	476	319
Total assets (c)			2,500	1,925
Other National Operations(e)				
Revenues and sales				
GTE Communications	$ 391	$ 281	$ 1,082	$ 742
GTE Technology and Systems (f)	291	347	1.023	1,039
Other, including eliminations	196	209	‘448	561
Total revenues	$ 878	$ 837	$ 2,553	$ 2,342

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
	(Dollars in Millions)			
Other National Operations (continued) (e)				
Operating income (loss) (a)	$ 662	$ (3)	$ 403	$ (571)
Special items (b)	(705)	—	(663)	397
Depreciation and amortization	55	55	166	151
Capital expenditures	76	111	195	353
Total assets (c)			2,731	2.672
International Operations: (g)				
Revenues and sales				
Local services	$ 95	$ 295	$ 263	$ 915
Toll services	77	217	218	686
Wireless services	129	84	417	227
Directory services and other	170	229	423	557
Total revenues	$ 471	$ 825	$ 1,321	$ 2,385
Operating income (a)	$ 101	$ 235	$ 788	$ 598
Special items(b)	—	--	(513)	38
Depreciation and amortization	57	108	177	327
Equity income	82	23	234	68
Capital expenditures	48	132	201	456
Investments in unconsolidated companies (c)			3.474	1,820
Revenues by country				
Dominican Republic	$ 167	$ 143	$ 467	$ 421
Argentina	121	—	371	—
Canada	123	627	293	1,817
Other	60	55	190	147
Total revenues	$ 471	$ 825	$ 1,321	$ 2,385
Assets by country (c)				
Venezuela			$ 1,838	$ 1,727
Canada			1,584	2,979
Argentina			1,518	1,129
Dominican Republic			954	907
Other			890	543
Total assets(c)			$ 6,784	$ 7,285
Consolidated revenues	$ 6,428	$ 6,480	$ 18,595	$ 18,642
Consolidated operating income (a)	2,378	1,650	5,521	3,674
Consolidated special items(b)	(705)		(1,026)	755
Consolidated assets(c)			48,265	43,615

(a) Includes special items for the three and/or nine months ended September 30, 1999 and 1998, as indicated.
(b) See Note 3 for a description of special items.
(c) Represents balance sheets as of September 30, 1999 and December 31, 1998.
(d) 1999 includes cellular incollect revenues. Without this change, growth in total revenues would have been I !% and 5% for the third quarter and year-to-date periods, respectively.

(e) BBN Technologies, a business which provides research and contracting services for government entities, previously reported as a component of Internetworking in 1998, is now included with Other National Operations. Prior period amounts have been reclassified to conform to the 1999 presentation.
(f) On September 1, 1999, the Company sold substantially all of GTE Government Systems. For additional information see Note 5.
(g) See Note 8 for a description of changes in accounting for international investments and the resulting impact on the financial statements.

Note 11. Proposed Merger with Bell Atlantic Corporation

Bell Atlantic and GTE Corporation have announced a proposed merger of equals under a definitive merger agreement dated July 27, 1998. At annual meetings held in May 1999, the shareholders of each company approved the merger. The completion of the merger is subject to a number of conditions, including certain regulatory approvals and receipt of opinions that the merger will be tax-free.

The unaudited pro forma financial statements that follow are for GTE and Bell Atlantic for the nine month period ended September 30, 1999 in connection with the proposed merger. Both companies have provided unaudited pro forma combined condensed financial statements of income for the years ended December 31, 1998, 1997 and 1996 and a pro forma combined condensed balance sheet at December 31, 1998 in a joint proxy statement and prospectus filed with the Securities and Exchange Commission dated April 13, 1999. Bell Atlantic has supplied all information contained in this interim report relating to Bell Atlantic and GTE has supplied all information relating to GTE.

The following unaudited pro forma combined condensed financial statements are presented assuming that the merger of GTE and Bell Atlantic will be accounted for as a pooling of interests. Under this method of accounting, the companies are treated as if they had always been combined for accounting and financial reporting purposes. These unaudited pro forma financial statements have been prepared from, and should be read in conjunction with, the historical consolidated financial statements and accompanying notes of GTE and Bell Atlantic, which are included in the companies' Annual Reports on Form 10-K for the year ended December 31, 1998, and reports on Form 10-Q for the quarterly periods ended March 31, 1999 and June 30, 1999, as well as this interim report for both companies. The unaudited pro forma financial information is presented for illustration purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed at the dates indicated. The information does not necessarily indicate the future operating results or financial position of the combined company.

The following unaudited pro forma financial data was prepared by adding or combining the historical amounts of each company and adjusting the combined amounts for significant differences in accounting methods used by each company. These adjustments are described in the accompanying notes to the financial statements. The unaudited pro forma combined balance sheet was prepared by combining the balance sheets of GTE and Bell Atlantic at September 30, 1999, giving effect to the merger as if it had occurred on September 30, 1999. The unaudited pro forma combined condensed statement of income gives effect to the merger as if it had occurred at the beginning of the earliest period presented. The terms of the merger specify that each share of GTE common stock will be converted into the right to receive 1.22 shares of combined company common stock. This exchange ratio was used in computing certain of the pro forma adjustments and in computing share and per share amounts in the accompanying unaudited pro forma financial information.

GTE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) – Continued

PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
For the Nine Months Ended September 30, 1999

(Dollars in Millions, Except Per-Share Amounts) (Unaudited)	Historical Bell Atlantic	Historical GTE	Pro Forma Adjustments		Pro Forma Combined
Operating revenues	$ 24,566	$ 18,595	$ --		$ 43,161
Operating expenses	18,223	13,074	(27)	(3d)	31,270
Operating income	6,343	5,521	27		11,891
Income from unconsolidated businesses	124	311			435
Other income and (expense), net	35	(49)			(14)
Interest expense	939	973			1,912
Provision for income taxes	2,074	1,754	10	(3e)	3,838
Income from continuing operations	$ 3,489	$ 3,056	$ 17		$ 6,562
Basic Earnings Per Common Share					
Income from continuing operations per common share	$ 2.25	$ 3.14			$ 2.39
Weighted-average shares outstanding (in millions)	1,553	973	214	(3c)	2,740
Diluted Earnings Per Common Share					
Income from continuing operations per common share	$ 2.21	$ 3.12			$ 2.36
Weighted-average shares-diluted (in millions)	1,583	980	215	(3c)	2,718

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

PRO FORMA COMBINED CONDENSED BALANCE SHEET
September 30, 1999

(Dollars in Millions) (Unaudited)	Historical Bell Atlantic	Historical GTE	Pro Forma Adjustments		Pm Forma Combined
Assets					
Current **assets**					
Cash and temporary cash investments	$ 299	$ 3,572	$ --		$ 3,871
Receivables, net	6,929	4,753			11,682
Net assets held for sale		1,752			1,752
Other current assets	1,669	1,449	(205)	**(3b)**	
			65	**(3e)**	2,978
	8,897	11,526	(140)		20,283
Plant, property and equipment, net	38,359	22,220	(175)	**(3d)**	60,404
Investments in unconsolidated businesses	5,919	3,880			9,799
Other **assets**	**5,847**	**10,639**			**16,486**
Total assets	$ 59,022	$ 48,265	$ (315)		$ 106,972
Liabilities and **Shareowners'** Investment					
Current liabilities					
Debt maturing within one year	$ 3,286	$ 7.105	$ --		$ 10.391
Accounts payable and accrued liabilities	6,550	5,622			**12,172**
Other current liabilities	1,533	935	170	**(3b)**	2,638
	11,369	13,662	**170**		25,201
Long-term debt	17,463	14,278			31,741
Employee benefit obligations	9,661	4,317			13,978
Deferred credits and other liabilities	5,020	5,085	(67)	**(3e)**	10,038
Shareowners' investment					
Common stock **(2,767,321,285** shares issued)	**158**	50	69	**(3a)**	277
Contributed capital	13,533	8,624	(1,385)	**(3a)**	20,772
Reinvested earnings	2,757	4,399	(310)	**(3b)**	
			(108)	**(3d)**	6,738
Accumulated other comprehensive income (loss)	**174**	(367)			(193)
	16,622	12,706	**(1,734)**		27,594
Less common stock in **treasury,** at **cost**	632	1,316	(1,316)	**(3a)**	632
Less deferred compensation -employee stock ownership plans	481	467			948
Total **shareowners'** investment	15,509	10,923	(418)		26,014
Total liabilities and **shareowners'** investment	$ 59,022	$ 48,265	$ (315)		$ 106,972

See accompanying Notes to Unaudited Pro **Forma** Combined Condensed Financial Statements.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

Note 1 – Reclassifications

Reclassifications have been made to the historical financial statements to conform to the presentation expected to be used by the combined company.

Note 2 – Exchange Ratio

The terms of the merger agreement specify that each outstanding share of GTE common stock will be convened into 1.22 shares of combined company common stock. This exchange ratio was used in computing share and per share amounts in the accompanying pro forma financial information.

Note 3 – Pro Forma Adjustments

(a) A pro forma adjustment has been made to reflect the issuance of I, 191 million shares of combined company common stock in exchange for all outstanding shares of GTE common stock as per the exchange ratio stated in Note 2, above. The adjustment also reflects the cancellation of shares of GTE treasury stock, but does not reflect the impact of fractional shares.

(b) A pro forma adjustment has been made to reflect direct incremental merger-related costs. Amounts anticipated to be incurred (approximately $170 million) have been shown as an increase to "Other current liabilities." Amounts incurred through September 30, 1999 by GTE and Bell Atlantic (approximately $205 million) have been shown as a reduction to "Other current assets." The after-tax cost of this anticipated charge (approximately $3 IO million) has been reflected as a reduction in "Reinvested earnings."

(c) Pro forma adjustments have been made to the number of weighted average shares outstanding used in the calculation of basic and diluted earnings per share. The number of weighted average shares outstanding reflects the conversion of shares and share equivalents of GTE common stock into combined company common stock in accordance with the merger agreement.

(d) Pro forma adjustments have been made to conform GTE's accounting policies for certain computer software costs to Bell Atlantic's policies.

(e) Pro forma adjustments have been made for the estimated tax effects of the adjustments discussed in (b) and (d) above.

(f) There arc no significant intercompany transactions between GTE and Bell Atlantic.

Note 12. Subsequent Events

On October 8, 1999, the Company completed its previously announced acquisition of nearly half of the wireless properties formerly operated by Ameritech Corporation for approximately $3.25 billion in cash. These properties are located in St. Louis, Chicago and Central Illinois and include 1.7 million subscribers.

On the condensed consolidated balance sheets, the balances of "Cash and cash equivalents" and "Short-term obligations, including current maturities" increased as of September 30, 1999, compared to December 31, 1998. These increases reflect the dollar amount which was required for the closing of the purchase of the Ameritech wireless properties. This transaction, initially scheduled to be completed on September 30, 1999, closed on October 8, 1999.

On November 8, 1999, the Company announced that it had agreed to form a company with Crown Castle International Corp. to own, operate and lease space on the Company's existing network of cell sites. The newly created entity will be controlled by Crown Castle International Corp. The Company will contribute real estate and integral equipment, including approximately 2,300 cellular towers to the entity, valued at approximately $900 million, and will lease back these cell sites by paying a monthly lease fee of approximately $1,400 per cell site to the entity. The Company will continue to own other cell site equipment, including switching equipment, antennas and other electronic components.